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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

RG 2.2230

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 28, 1992

OR

— TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-18834

VIDEOCART, INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-3688583**
(State of incorporation)	(I.R.S. Employer Identification No.)

300 South Wacker Drive, Chicago, Illinois 60606
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (312) 987-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _

As of May 8, 1992, registrant had outstanding 10,970,237 shares of common stock, $.01 par value ("Common Stock"), which is registrants only class of common stock.

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VIDEOCART, INC.
FORM 10-Q
MARCH 28, 1992

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VIDEOCART, INC.
(a development stage company)

CONDENSED BALANCE SHEETS
(Unaudited)

	March 28, 1992	December 28, 1991
ASSETS		
Current Assets		
Cash and cash equivalents	$ 14,761,336	$ 20,302,891
Accounts receivable, net	1,127,812	1,361,112
Prepaid expenses and other current assets	309,481	364,077
Total Current Assets	16,198,629	22,028,080
Property and Equipment, Net of Accumulated Depreciation and Amortization	18,039,353	9,655,435
Other Assets, Net	332,840	336,482
TOTAL ASSETS	$ 34,570,822	$ 32,019,997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term obligations	$ 197,620	$ 232,725
Accounts payable	9,437,530	3,297,041
Accrued expenses	1,805,305	989,460
Notes payable	107,092	229,085
Deferred revenue	566,179	727,716
Total Current Liabilities	12,113,726	5,476,027
Long-Term Liabilities		
Long-term obligations	856,384	804,376
Deferred revenue	1,000,000	1,000,000
Total Long-Term Liabilities	1,856,384	1,804,376
Stockholders' Equity		
Preferred stock-1,000,000 shares authorized, $.01 par value, none issued	0	0
Warrant outstanding	87,500	87,500
Common stock-30,000,000 shares authorized, $.01 par value, 10,954,523 and 10,918,680 shares issued and outstanding at March 28, 1992 and December 28, 1991, respectively	109,545	109,187
Capital in excess of par value	47,015,051	46,933,415
Deficit accumulated during development stage	(26,648,708)	(22,392,530)
Cumulative translation adjustment	37,324	2,022
Total Stockholders' Equity	20,600,712	24,739,594
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 34,570,822	$ 32,019,997

See accompanying Notes to Condensed Financial Statements.

VIDEOCART, INC.
(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Inception to March 28, 1992	Quarter Ended March 28, 1992	Quarter Ended March 31, 1991
Revenues (Note B)	$15,714,255	$ 1,195,328	$ 466,115
Costs and Expenses			
Operating	32,387,742	3,874,320	1,734,270
Selling, general and administrative	10,458,512	1,704,045	891,991
Related party	312,935	0	59,105
Total Costs and Expenses	43,159,189	5,578,365	2,685,366
Operating loss	(27,444,934)	(4,383,037)	(2,219,251)
Other Income (Expense)			
Interest income	1,124,900	215,213	100,422
Interest expense	(250,619)	(17,498)	(25,532)
Other income (expense)	(1,026,541)	(70,857)	(33,521)
Total Other Income (Expense)	(152,260)	126,858	41,369
Loss before income taxes	(27,597,194)	(4,256,179)	(2,177,882)
Income Tax (Benefit)	(948,485)	0	(89,319)
Net loss	$(26,648,709)	$(4,256,179)	$(2,088,563)
Net Loss per Share (Note C)	$(2.83)	$(0.39)	$(0.24)

See accompanying Notes to Condensed Financial Statements

VIDEOCART, INC.
(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Inception to March 28, 1992	Quarter Ended March 28, 1992	Quarter Ended March 31, 1991
Net Cash Provided by (Used in) Operating Activities	$ (8,070,814)	$ 3,712,048	$(1,163,969)
Cash Flows from Investing Activities:			
Purchase of property and equipment	(25,490,867)	(9,265,810)	(2,148,162)
Net cash (used in) investing activities	(25,490,867)	(9,265,810)	(2,148,162)
Cash Flows from Financing Activities:			
Capital contribution	20,070,376	0	0
Proceeds from stock offering	26,851,031	0	0
Proceeds from stock option exercises	203,190	81,995	0
Proceeds from issuance of notes payable	601,881	0	0
Proceeds from issuance of long term obligations	624,100	0	0
Repayment of notes payable	(494,789)	(121,993)	(77,533)
Capital lease obligations	429,904	16,903	(37,363)
Net cash provided by (used in) financing activities	48,285,693	(23,095)	(114,896)
Effect of Exchange Rates on Cash and Cash Equivalents	37,324	35,302	(1,345)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,761,336	(5,541,555)	(3,428,372)
Cash and Cash Equivalents at Beginning of Period	0	20,302,891	7,199,347
Cash and Cash Equivalents at End of Period	$ 14,761,336	$ 14,761,336	$ 3,770,975

See accompanying Notes to Condensed Financial Statements.

VIDEOCART, INC.
(a development stage company)

NOTES TO CONDENSED FINANCIAL STATEMENTS
March 28, 1992
(Unaudited)

NOTE A. CONDENSED FINANCIAL STATEMENTS

In Management's opinion, the unaudited financial statements of VideOcart, Inc. (the "Company") include all normal recurring adjustments necessary for fair presentation. When reviewing interim financial results, users of financial information are encouraged to refer to the footnotes contained in the Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 28, 1991.

NOTE B. REVENUE RECOGNITION

Domestic revenues for the quarter ended March 28, 1992 consisted of approximately $510,800 from advertising and media products and services.

NOTE C. NET LOSS PER SHARE

Presentation in the Company's financial statements reflects per share data calculated using the weighted average number of shares outstanding. Fully diluted loss per share is not presented, as the warrant to IBM for 175,000 shares and the 1,146,565 shares exercisable at March 28, 1992 under options have an antidilutive effect.

NOTE D. STOCK OPTIONS

The 1990 Nonqualified Stock Option Plan authorizes a maximum of 2,000,000 common shares. The plan provides that options be granted at exercise prices equal to market value on the grant dates. Options must be exercised within ten years. The following table sets forth the grant activity of the Nonqualified Stock Option Plan for the periods indicated:

	March 28, 1992		March 31, 1991	
	Number of Shares	Average Grant Price	Number of Shares	Average Grant Price
Issued	1,414,002	$4.664	869,964	$2.420
Terminated	127,692	$2.663	15,000	$2.190
Exercisable	246,565	$2.624	36,058	$2.190

John Malec had 900,000 shares of common stock exercisable at an option price of $2.19 at March 28, 1992.

NOTE E. SUBSEQUENT EVENTS

Two new retailers, Raley's and Super Valu, have become VideOcart participants. Raley's has committed to installations in all of the chain's 60+ stores by midsummer. Super Valu has committed to VideOcart installations in an initial 150 stores over the next 18 months.

John Malec, the Company's Chairman and Chief Executive Officer, has agreed to provide the Company with a $10 million leasing line of credit. This line of credit is available to purchase VideOcart store equipment, on a chain-by-chain basis, at an effective interest rate of 14.5%. This lease will be secured by the associated VideOcart store equipment and is subject to certain cash flow covenants.

NOTE E. SUBSEQUENT EVENTS (continued)

The Board of Directors has elected two new members to the board, Gerald Eskin, Ph.D. and Beth Blumenthal, for a total of ten. Mr. Eskin will serve his initial term until the 1993 Annual Meeting of Shareholders, and Ms. Blumenthal will serve her initial term, and stand for re-election to a new three-year term, at the 1992 Annual Meeting of Shareholders.

The Board of Directors has adopted, subject to shareholder approval at the 1992 Annual Meeting, the 1992 Stock Option Plan (the "1992 Plan") and the 1992 Stock Option Plan for Non-Employee Directors (the "1992 Directors Plan"). Although the existing Nonqualified Stock Option Plan and Incentive Stock Option Plan do not expire by their terms until 2000, the Board of Directors has adopted the 1992 Plan to make technical changes and to conform to recent changes in Securities and Exchange Commission regulations. If the 1992 Plan and the 1992 Directors Plan are approved, the Company will not grant further options under the Nonqualified Stock Option Plan or the Incentive Stock Option Plan. In connection with their appointments, and subject to shareholder approval of the 1992 Directors Plan, Mr. Eskin and Ms. Blumenthal were automatically granted options to purchase 15,000 shares each at prices equal to the average closing sale price of the Company's Common Stock for the five days prior to the grant date.

Item 2. Management's discussion and analysis of financial condition and results of operations.

The following discussion and analysis should be read in conjunction with the financial statements.

Introduction

The Company conducts business in two distinct operating segments. The VideOcart business derives revenues from the sale of space on the Company's proprietary computerized video display mounted on store shopping carts. The display provides customer service, point-of-purchase advertising and sales promotion messages to shoppers. The Australian business derives revenues from the licensing of decision support and supermarket shelf space management software and the provision of related consulting and data services. The VideOcart business is in the development stage and the revenue and expenses to date are not representative of anticipated future business activity. Results for the quarter ended March 28, 1992 are not necessarily indicative of the results to be expected for the full fiscal year.

Summarized below is certain financial information relating to the results of the Company as segmented by the VideOcart and Australian operations for the periods indicated.

	Quarter Ended	
	March 28, 1992	March 31, 1991
Revenues:		
VideOcart	$ 510,807	$ 0
Australia	684,521	466,115
	1,195,328	466,115
Operating Expenses:		
VideOcart	$ 3,438,700	$ 1,153,209
Australia	435,620	581,061
	3,874,320	1,734,270
Selling, General and Administrative Expenses:		
VideOcart	$ 1,453,791	$ 768,970
Australia	250,254	123,021
	1,704,045	891,991
Other Income (Expense):		
VideOcart	$ 118,721	$ 43,543
Australia	8,137	(2,174)
	126,858	41,369

VideOcart Operations

VideOcart Operations for the Quarter Ended March 28, 1992

Revenue. The Company had VideOcart-related revenue of approximately $510,807 for the quarter ended March 28, 1992. The Company did not charge clients for advertising during the period between the end of the initial three-store test in July of 1990 and the end of the first quarter in 1991. The revenues for the quarter ended March 28, 1992 are due to the provision of services under the national expansion begun in December, 1991, and represents approximately $510,800 from advertising and media products and services.

Operating Expenses. Operating expenses for the quarter ended March 28, 1992 were approximately three times greater than the quarter ended March 31, 1991, primarily due to the operating expenses and depreciation related to a greater number of installed stores. There were 66 stores installed at March 28, 1992, compared to 11 stores installed at March 31, 1991.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were approximately 1.9 times greater during the quarter ended March 28, 1992 than during the quarter ended March 31, 1991. The increase generally reflects the overall growth of the Company, and is primarily attributable to compensation for staffing of support areas.

Other Income and Expense. Other income and expense includes interest expense on notes financing store installations, interest earned on cash balances, and equipment and installation cost writeoffs associated with damaged equipment and removal of store equipment for relocation.

Australian Operations

The business and assets of the Australian Business were acquired by the Company immediately prior to the spinoff from URI. The Company intends to continue operating the Australian Business through existing staff and outlets. However, the Australian Business is not strategically important to the Company, and is not expected to be material to the Company's future business.

Australian Operations for the Quarter Ended March 28, 1992. Australian revenue increased approximately 47% during the quarter ended March 28, 1992 compared to the prior year period, due primarily to increased sales of EXPRESS® software. Australian operating expenses during the quarter ended March 28, 1992 decreased approximately 25% when compared to the prior year period, primarily reflecting reduced compensation expenses. Australian selling, general and administrative expenses for the quarter ended March 28, 1992 increased approximately 103% when compared to the prior year period, primarily reflecting increased consulting costs and sales commissions.

Liquidity and Capital Resources

Cash flows. Operating activities have provided cash of $3.7 million and used cash of $1.2 million for the quarters ended March 28, 1992 and March 31, 1991, respectively. The decreased use of cash is attributable to favorable vendor terms associated with the purchase of equipment for the national rollout. Investing activities used cash of $9.3 million and $2.1 million for the quarters ended March 28, 1992 and March 31, 1991, respectively. Investing activities increased due to the national expansion of the VideOcart network which began in December, 1991. Financing activities used cash of approximately $23,100 and $114,900 for the quarters ended March 28, 1992 and March 31, 1991, respectively, and primarily reflects repayments of notes payable.

Liquidity. As of March 28, 1992, the Company's cash position decreased to approximately $14.8 million, due primarily to the purchase of equipment for the national rollout and operational expenditures for an expending base of stores. The Company has expanded from 35 stores at December 28, 1991 to 66 stores at March 28, 1992. While remaining cash balances are expected to satisify the Company's near-term expenditure requirements, the continuing national expansion will require substantial additional cash as described in "Capital Expenditures" below.

Capital Expenditures. The Company's capital expenditures over the past three years have consisted primarily of VideOcart network components. The Company expects total expenditures to increase sharply during full scale production associated with a continuing national expansion. Most of the Company's future capital expenditures will represent the cost of equipment and installation of the VideOcart network in individual stores. The majority of the equipment cost is represented by the cost of VideOcart display units, batteries and triggering devices. During 1991, the Company committed to purchase 120,000 VideOcart units, together with batteries and triggering devices, in an amount which will represent a total expenditure of approximately $76 million. The Company expects to fund the cost of such equipment with remaining cash balances, internally generated funds, lease financing and future offerings of equity and/or debt securities.

PART II OTHER INFORMATION

Item 1. Legal Proceedings. None.

Item 2. Changes in Securities. None.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits and Reports on Form 8-K. None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date:	May 11, 1992
Registrant	VideOcart, Inc.
By Name and Title	John Malec, Chairman of the Board, Director and Chief Executive Officer
By Name and Title	James E. Hurley, Chief Financial Officer, Treasurer, and Secretary